

# ATTACHMENT B

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT  
SECURITIES LLC,

Defendant.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation  
of Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

PHILIP F. PALMEDO,

Defendant.

Adv. Pro. No. 10-04749 (SMB)

**EXPERT REPORT OF  
LISA M. COLLURA, CPA, CFE, CFF**

**Proof of Transfers  
To the Defendant**

**June 19, 2019**

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## **I. PROFESSIONAL BACKGROUND**

1. I am a Senior Managing Director in the Forensic and Litigation Consulting practice of FTI Consulting, Inc. ("FTI"), with 25 years of experience in accounting, auditing and litigation consulting services. I specialize in providing forensic accounting and financial fraud investigative services in connection with internal investigations on behalf of trustees, boards of directors and audit committees of companies.
2. I have extensive experience in conducting large-scale, fact-finding investigations into fraudulent financial transactions, including tracing significant flows of funds between accounts and entities. During my career at FTI, I have assisted in the investigation of several of the largest fraud cases in the United States.
3. I am a Certified Public Accountant (CPA), a Certified Fraud Examiner (CFE), a member of the American Institute of Certified Public Accountants (AICPA), and am Certified in Financial Forensics (CFF) by the AICPA. My curriculum vitae, attached as **Exhibit 1** to this report, further describes my professional credentials, experience, and qualifications, including my testimony in the last four years.

## **II. SCOPE OF ASSIGNMENT**

4. Bernard L. Madoff Investment Securities LLC ("BLMIS") was an investment firm owned and operated by Bernard L. Madoff ("Madoff"). On December 11, 2008, Madoff was arrested for violating multiple securities laws in connection with running a Ponzi scheme through the investment advisory business of BLMIS (the "IA Business"). On December 15, 2008, Irving H. Picard was appointed as the Trustee for the liquidation of the business of BLMIS, and Baker & Hostetler LLP was retained as his counsel. Shortly thereafter, FTI was retained by Baker & Hostetler LLP, on behalf of the Trustee, to analyze, among other things, the financial affairs of BLMIS and to assist the Trustee with the liquidation of BLMIS. As part of our engagement, FTI was tasked with the exercise of reconstructing the books and records of

BLMIS, including all records of the cash transactions related to the BLMIS IA Business customer accounts as far back as the records allow.

5. This report should be read in conjunction with my Expert Report regarding the Reconciliation of Cash Transactions for All BLMIS Customers and Analysis of IA Business Cash Activity dated January 16, 2019 (the “Collura January 2019 Report”).<sup>1</sup>

6. For this report, I was specifically tasked with performing forensic analyses to determine the following:

- Whether the cash deposit and withdrawal transactions reflected on the customer statements for the Defendant’s<sup>2</sup> customer account at BLMIS that is at issue in this matter (the “Palmedo Account”<sup>3</sup>) reconciled to available documentation; and
- Whether, based on my review of available bank records, the cash withdrawals (*i.e.*, transfers from BLMIS) reflected on the customer statements for the Palmedo Account during the period between and including December 11, 2006 and December 11, 2008 (the “Two Year Period”) could be traced to bank accounts held by, or for the benefit of, the Defendant.

7. For purposes of this report, I use the term “reconciled” to indicate when I have matched, agreed and/or determined consistency between cash deposits and withdrawals reflected on BLMIS customer statements to information or data per another source (*e.g.*, amounts on BLMIS bank records, correspondence between the customer and BLMIS regarding incoming deposits and/or requests for withdrawals, or documents produced to the Trustee related to the Palmedo Account). For purposes of this report, I use the term “traced” to indicate when I have followed the flow of funds from one bank account (*e.g.*, BLMIS’s bank account) to another bank account (*e.g.*, the Defendant’s bank account).

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<sup>1</sup> My findings and conclusions rendered in the Collura January 2019 Report, along with the accompanying Exhibits to that report are all incorporated by reference herein. All capitalized terms that are defined in the Collura January 2019 Report shall have the same meaning in this report.

<sup>2</sup> The defendant in this matter is Philip F. Palmedo (the “Defendant”).

<sup>3</sup> The Defendant maintained BLMIS customer account 1CM142 under the name “PHILIP F PALMEDO.”

8. This report has been prepared in connection with the above-captioned litigation and is to be used only for the specific purposes of this lawsuit. It is not to be used for any other purpose without the express written consent of FTI. If called upon to testify in this matter, I intend to provide testimony regarding my analyses and conclusions consistent with this report.

9. FTI is being compensated at a rate of \$670 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of the above-captioned litigation.

### III. METHODOLOGY

10. To determine whether the cash transactions reflected on the customer statements for the Palmedo Account reconciled to available documentation, I used the results of the forensic analysis of the available BLMIS bank records as described in the Collura January 2019 Report. In addition, I reviewed and analyzed other documents and records maintained at BLMIS, including documents contained in BLMIS customer files, as well as documents produced to the Trustee related to the Palmedo Account. Based on my review and analysis of these materials, I identified the cash transactions related to the Palmedo Account that reconciled to these documents.

11. Next, to determine whether the cash withdrawals reflected on the customer statements for the Palmedo Account during the Two Year Period could be traced to bank accounts held by, or for the benefit of, the Defendant, I again used the available information from BLMIS bank records. In addition, I reviewed records produced to the Trustee by third-party financial institutions related to bank accounts held by the Defendant. Using these available bank records, I identified the recipients of the transfers from BLMIS.

12. The documents and data that I considered in connection with this report are listed in **Exhibit 2**. I reserve the right to supplement my report based on any additional documents or information received.

#### IV. SUMMARY OF FINDINGS

13. Based on the forensic analyses performed, as described above and throughout this report, as well as my skills, knowledge, experience, education and training that I applied to the documents and information available to me as of the date of this report, my findings are summarized as follows:

- For my reconciliation analysis, I analyzed the cash transactions in the Palmedo Account from January 1993 to December 2008. During this time period, the customer statements for the Palmedo Account reflected seven cash deposit and withdrawal transactions. I reconciled all but one of the seven cash transactions reflected on the customer statements for the Palmedo Account to available BLMIS bank records, documentation contained in BLMIS customer files, and/or documents produced to the Trustee related to the Palmedo Account. I was unable to complete my reconciliation for the remaining cash deposit transaction reflected on the customer statements for the Palmedo Account due to the unavailability of records related to transactions dated before December 1998. However, based on my review of documents contained in the customer file maintained at BLMIS for the Palmedo Account, I have not found any instance of the Defendant communicating to BLMIS any disagreement with respect to the accuracy of any cash transaction reflected on the customer statements for the Palmedo Account.
- For my tracing analysis, I analyzed the one cash withdrawal from the Palmedo Account during the Two Year Period, for \$600,000. Based on available bank records from BLMIS and records produced to the Trustee by a third-party financial institution, JPMorgan Chase Bank, N.A., I traced this \$600,000 cash withdrawal reflected on the customer statements for the Palmedo Account during the Two Year Period to a bank account held by the Defendant.

## V. RECONCILIATION OF CASH TRANSACTIONS FOR THE PALMEDO ACCOUNT

### A. OVERVIEW

14. The chronological listings of all cash and principal transactions for every BLMIS customer account compiled by FTI, as described in the Principal Balance Calculation Report, included the cash transactions for the Palmedo Account. From January 1993 to December 2008, the customer statements for the Palmedo Account reflected seven cash transactions, which consisted of two cash deposits into the Palmedo Account totaling \$75,000 and five cash withdrawals and from the Palmedo Account totaling \$1,010,000. I was tasked with reconciling these seven cash transactions to available BLMIS bank records, documentation contained in BLMIS customer files, and/or documents produced to the Trustee related to the Palmedo Account. See **Exhibit 3** for a list of these cash deposit and withdrawal transactions; *see also* **Exhibit 6** – “Reconciliation and Tracing Results – Palmedo Account.”

### B. BLMIS BANK ACCOUNTS

15. Of the seven cash transactions reflected on the customer statements for the Palmedo Account, four occurred in the ten-year period for which there were available bank records for the three BLMIS bank accounts described in the Collura January 2019 Report. I reconciled all four of the cash transactions reflected on the customer statements for the Palmedo Account during the period December 1998 to December 2008 to available BLMIS bank records, including copies of cancelled checks. The four cash transactions were cash withdrawals via check and were reconciled to the 509 Account.

16. Based on the results of my reconciliation of the cash transactions in the Palmedo Account to available BLMIS bank records, as well as the results of my Global Reconciliation as further described in the Collura January 2019 Report, I can reasonably infer that if BLMIS bank records prior to December 1998 were available to me, I would be able to reconcile the pre-December 1998 cash transactions in the Palmedo Account.



C. BLMIS CUSTOMER FILES

17. In addition to reconciling the cash deposit and withdrawal transactions for the Palmedo Account to the available BLMIS bank records as described above, I also reviewed customer files from BLMIS's records to identify correspondence related to the cash transactions reflected on the customer statements for the Palmedo Account.

18. Customer files related to customer accounts were maintained in BLMIS's records and were generally organized by BLMIS account number. These customer files contained documents including, but not limited to, correspondence between the customer and BLMIS employees regarding incoming deposits and/or requests for withdrawals, customer contact information, BLMIS customer agreements, as well as trust and other agreements.

19. As part of my analysis, I identified the customer file for the Palmedo Account within BLMIS's records. I reviewed the documents contained in this customer file to identify correspondence that related to the cash transactions reflected on the customer statements for the Palmedo Account. I identified letters and/or other correspondence in this customer file that support six of the seven cash transactions in the Palmedo Account.<sup>4</sup> One of these letters, which is a request for a cash withdrawal from the Palmedo Account, is attached as **Exhibit 4** and is described further below:

- In a letter dated May 13, 2008 regarding the Palmedo Account, the Defendant states, "I would like to redeem \$600,000 from my C&M trading account at the next redemption date. Please send a check for that amount to me at the above address."

20. Furthermore, based on my review of the documents contained in the customer file for the Palmedo Account, I have not found any instance of the Defendant communicating to

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<sup>4</sup> The remaining cash transaction for which I did not identify a supporting document in the BLMIS customer file related to the Palmedo Account was a cash deposit transaction. I identified a document to support each of the cash withdrawal transactions reflected on the customer statements for the Palmedo Account. See **Exhibit 3**.

BLMIS any disagreement with respect to the accuracy of any cash transaction reflected on the customer statements for the Palmedo Account.

D. DOCUMENTS PRODUCED TO THE TRUSTEE RELATED TO THE PALMEDO ACCOUNT

21. As of the date of this report, the Defendant has produced to the Trustee documents consisting of, among other things, correspondence related to the cash transactions in the Palmedo Account. The Trustee has also received documents related to the Palmedo Account from an accounting firm, Sosnik, Bell & Co., LLC. These documents included, among other things, electronic spreadsheets detailing activity in the Palmedo Account, including cash deposit and withdrawal transactions. I reconciled five of the seven cash transactions reflected on the customer statements for the Palmedo Account to these documents produced to the Trustee.

E. RESULTS OF RECONCILIATION

22. In total, based on my analyses described above, I reconciled all but one of the seven cash transactions reflected on the customer statements for the Palmedo Account to available BLMIS bank records, documentation contained in BLMIS customer files, and/or documents produced to the Trustee related to the Palmedo Account. **Exhibit 3**, which lists each of the seven cash transactions for the Palmedo Account, contains three columns that indicate the results of my reconciliation to each of these sources of information.

23. I was unable to complete my reconciliation for the remaining cash deposit transaction reflected on the customer statements for the Palmedo Account due to the unavailability of records related to transactions that were dated before December 1998. However, as noted above, I have not found any instance of the Defendant communicating to BLMIS any disagreement with respect to the accuracy of any cash transaction reflected on the customer statements for the Palmedo Account.

## VI. TRACING CASH WITHDRAWALS FROM THE PALMEDO ACCOUNT

### A. OVERVIEW

24. The available BLMIS bank records, as described in the Collura January 2019 Report, were also used to determine whether I could trace the funds that left BLMIS's bank accounts to accounts held by, or for the benefit of, the Defendant. To determine this, I performed a "Receiving Bank" analysis, which traces transfers from BLMIS's bank accounts to bank accounts that received funds from BLMIS.

25. During the Two Year Period, the customer statements for the Palmedo Account reflected one cash withdrawal transaction of \$600,000. This cash withdrawal transaction was in the form of a check written from the 509 Account.

26. Tracing withdrawals via check requires a legible copy of a cancelled check. The necessary information to trace the amount to a receiving bank account, including endorser, banking institution and bank account number, is typically included on the back of a cancelled check. Oftentimes, however, not all of this information was available on the copy of the cancelled check written from the 509 Account and/or the available information was often illegible. In any event, when possible, I identified and captured all available and legible information from the cancelled check written from the 509 Account related to withdrawals from the Palmedo Account.

27. In addition, to trace the cash withdrawal from BLMIS, I also reviewed records related to a bank account held by the Defendant that were produced to the Trustee by JPMorgan Chase Bank, N.A.<sup>5</sup>

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<sup>5</sup> The Trustee also received records from Capital One Bank. However, these records related to a bank account held by the Defendant that did not receive transfers from BLMIS during the Two Year Period.

*B. RESULTS OF TRACING*

28. **Exhibit 5** summarizes the results of my Receiving Bank analysis and my review of bank records produced to the Trustee by JPMorgan Chase Bank, N.A.<sup>6</sup> This exhibit lists the bank account I identified by tracing cash withdrawals from BLMIS during the Two Year Period and supports that the \$600,000 cash withdrawal reflected on the customer statements for the Palmedo Account during the Two Year Period went to a bank account held by the Defendant.

**VII. SIGNATURE AND RIGHT TO MODIFY**

29. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

By:



Lisa M. Collura, CPA, CFE, CFF  
June 19, 2019

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<sup>6</sup> See also **Exhibit 6**.

#### VIII. LIST OF EXHIBITS

Exhibit 1: Curriculum Vitae

Exhibit 2: Documents Considered

Exhibit 3: List of All Cash Transactions in the Palmedo Account

Exhibit 4: Letter from BLMIS Customer File for the Palmedo Account

Exhibit 5: Results of Tracing Analysis – Palmedo Account (*During the Two Year Period*)

Exhibit 6: Reconciliation and Tracing Results – Palmedo Account